

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 SOE-02 DODE-00 DOE-15 H-01 INT-05

L-03 PM-05 OES-09 ACDA-12 PA-01 /146 W

-----047761 152054Z /20

R 142100Z JUL 78

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6500

C O N F I D E N T I A L SECTION 1 OF 2 BUENOS AIRES 5429

E.O. 11652: GDS

TAGS: EFIN, SHUM, AR

SUBJECT: ARGENTINA ACKNOWLEDGES US POLICY INFLUENCE ON CREDIT
AND IMPORT NEEDS

REF: BUENOS AIRES 5385

1. US POLICY RESTRICTING OFFICIAL FINANCIAL CREDITS TO ARGENTINA, ALREADY A FACTOR IN GOA FINANCIAL PLANNING DECISIONS, IS INCREASINGLY ATTRACTING PUBLIC ATTENTION. CLARIN (JULY 11) REPORTED THAT A HIGH LEVEL ARGENTINE MISSION IS CONFERRING WITH FRENCH AUTHORITIES TO SECURE AS MUCH AS 775 MILLION DOLLARS IN FRENCH EXPORT CREDITS FOR THE HYDROELECTRIC PROJECT YACYRETA. THE CREDIT-SEEKING MISSION, HEADED BY YACYRETA PRESIDENT JORGE PEGORARO AND INCLUDING ARGENTINE STAFF MEMBERS FROM THE WORLD BANK AND IDB, HAS ALREADY BEEN TO LONDON, FRANKFURT AND BONN AND WILL SUBSEQUENTLY TRAVEL TO ROME, NEW YORK, WASHINGTON, CANADA AND JAPAN. THE EMBASSY WAS OFFICIALLY INFORMED YESTERDAY OF THE MISSION'S VISIT TO WASHINGTON. (SEE REFTEL.)

2. ONE OF THE OBJECTIVES OF THE MISSION, ACCORDING
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TO CLARIN, IS "TO SECURE ALTERNATE SOURCES OF FINANCING IN THE EVENT THAT, AS MANY PREDICT, ARGENTINE CREDIT REQUESTS RUN INTO DIFFICULTIES IN INTERNATIONAL FINANCIAL INSTITUTIONS WHERE A US VETO IS DECISIVE." (SIC) THE REPORT DESCRIBES THE EFFECTIVE FREEZING OF EXIM BANK CREDITS AND USG INFLUENCE IN THE WORLD BANK AND THE IDB AS

ENDANGERING THE ACQUISITION OF SUFFICIENT CREDIT FOR THE YACYRETA PROJECT. ACCORDING TO CLARIN, THE PROJECT WILL REQUIRE AN ESTIMATED 4.6 BILLION DOLLARS; OF WHICH AT LEAST 2 BILLION MUST BE OBTAINED FROM INTERNATIONAL OR FOREIGN COUNTRIES' EXPORT CREDIT INSTITUTIONS. PEGORARO AND ENERGY SECRETARY BRONSTEIN HELD UNSUCCESSFUL TALKS WITH EXIM BANK OFFICIALS IN MAY AND LATE JUNE RESPECTIVELY.

3. ARGENTINA IS COUNTING ON THE RESTORED CONFIDENCE GAINED IN INTERNATIONAL FINANCIAL CIRCLES TO COUNTERACT POSSIBLE NEGATIVE EFFECTS AND REDUCE THE RISK TO THE PROJECT, WROTE CLARIN. THE ARGENTINE INTERNATIONAL FINANCIAL POSITION IS CURRENTLY VERY STRONG, WITH RESERVES AT \$5.5 BILLION AND A PROJECTED 1978 BALANCE OF TRADE SURPLUS OF AROUND \$1.5 BILLION. ARGENTINA WILL HAVE CANCELLED IN SEPTEMBER OF THIS YEAR ABOUT \$1.3 BILLION IN LOANS OBTAINED IN 1976 FROM FOREIGN COMMERCIAL BANKS AND THE IMF TWO YEARS AHEAD OF SCHEDULE.

4. A MINISTRY OF ECONOMY SOURCE TOLD EMBOFF RECENTLY THAT ARGENTINA EXPECTS NO DIFFICULTY IN ACQUIRING THE NECESSARY FINANCING FOR YACYRETA. STILL, IT WOULD HAVE PREFERRED TO HAVE HAD ACCESS TO US FINANCING AND EXPORT CONFIDENTIAL

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CREDITS FOR THE PROJECT. (THE ALLIS-CHALMERS WESTINGHOUSE TURBINE PROPOSAL FOR YACYRETA, WHICH INVOLVES A 270 MILLION DOLLAR JOINT VENTURE WITH THE ARGENTINE NAVY, HAS STRONG SUPPORT FROM THE NAVY AND COULD, WITH EXIM BANK FINANCING, HAVE GIVEN THE US COMPANIES THE EDGE.) THE SOURCE COMMENTED THAT THERE WAS SOME OPPOSITION TO THE PEGORARO MISSION STOPPING IN THE US, BUT THAT MINISTRY OFFICIALS WHO DO NOT WISH TO ACCENTUATE FURTHER A SPLIT BETWEEN US AND ARGENTINE OFFICIAL AND FINANCIAL CIRCLES PREVAILED AND THE MISSION WOULD STOP IN NEW YORK AND WASHINGTON. HE ADDED THAT THE MINISTRY WAS UPSET WITH ARGENTINE AMBASSADOR AJA ESPIL'S PUBLIC WARNING TO THE US ON EXIM BANK CREDITS BECAUSE ULTIMATELY THE INCIDENT SIMPLY FOCUSED MORE UNFAVORABLE ATTENTION ON THE BANK'S DEALINGS WITH ARGENTINA, IMPLYING THAT IT HAD WORSENED POSSIBILITIES FOR BUSINESS BETWEEN THE BANK AND ARGENTINA.

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COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 FRB-03 XMB-02
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5. THE MINISTRY OFFICIAL ALSO NOTED THAT US
COMMERCIAL BANKS HAD AGREED TO PROVIDE THE GOA
WITH THE NECESSARY FINANCING TO PURCHASE \$150
MILLION IN BOEINGS EVEN WITHOUT EXIM BANK
PARTICIPATION -- AND AT EXTREMELY FAVORABLE
TERMS: LESS THAN 1 PERCENT OVER LIBOR AND A
MATURITY OF TEN YEARS.

6. ELSEWHERE THE PRESS REPORTED THAT THE
MINISTRY OF EDUCATION HAS APPLIED FOR A 100
MILLION DOLLAR LOAN FROM THE IDB FOR THE
CONSTRUCTION OF 400 NEW RURAL PRIMARY SCHOOLS
AND REPAIR AND RE-EQUIPPING OF 1,700 OTHERS.
GOA APPLIED FOR SOFT LOAN FSO FUNDS OVER WHICH
THE USG HAS A VETO, BUT GOA DOES NOT EXPECT
REJECTION SINCE THE LOAN DIRECTLY BENEFITS THE
NEEDY.

7. COMMENT: ARGENTINA'S CURRENT STRONG FINANCIAL
SITUATION AFFORDS IT ACCESS TO FOREIGN BANK LOANS
AND SOME PROTECTION FROM US RESTRICTIONS AND
UNFAVORABLE VOTES IN INTERNATIONAL FINANCIAL
INSTITUTIONS. HOWEVER, ARGENTINE OFFICIALS ARE
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DISTRESSED WITH THE STEADILY CLOSING DOOR TO

US OFFICIAL CREDITS AND ARE CONCERNED THAT IT MIGHT AFFECT THEIR EVENTUAL ACCESS TO OTHER SOURCES OF OFFICIAL OR IFI CREDIT. REFLECTING THAT CONCERN, APPARENT GOA CONTINGENCY PLANNING WITH US RESTRICTIONS IN MIND IS BEGINNING TO APPEAR MORE FREQUENTLY IN PUBLIC. SUCH REPORTS ADD TO THE PUBLIC IMPRESSION THAT RELATIONS WITH THE US ARE ANYTHING BUT GOOD AND THAT US POLICY EFFECTS MAJOR DECISIONS AND PUBLIC UNDERTAKINGS.

8. MINISTER-COUNSELOR EXPECHE GIL OF THE FOREIGN MINISTRY INFORMED US TODAY THAT THE TRANSMISSION YESTERDAY OF THE DATES THE PEGORARO MISSION WOULD BE IN THE US WAS SOLELY FOR INFORMATION PURPOSES AND NOT INTENDED TO IMPLY THAT THE MISSION WAS INTERESTED IN MEETINGS WITH USG AGENCIES. AN ECONOMY MINISTRY SOURCE TOLD US TODAY THAT THE PEGORARO MISSION HAS AN APPOINTMENT WITH EXIM CHAIRMAN MOORE IN WASHINGTON, THE MISSION'S ONLY APPOINTMENT WITH AN OFFICIAL USG AGENCY. IT WILL ALSO SEE PRIVATE BANKS IN NEW YORK TO DISCUSS CREDITS. MEMBERS OF THE MISSION INCLUDE TWO ARGENTINE STAFF MEMBERS OF THE IBRD PETER SCHERER AND MANFREDO LINDER AND ONE ARGENTINE FROM THE IDB LUIS RUBEO, ALSO SOME AMERICAN FINANCIAL ADVISERS FROM THE FIRST BOSTON CORP., HEADQUARTERED IN NEW YORK WHO HAVE BEEN CONTRACTED TO ADVISE THE ARGENTINES HOW TO PUT TOGETHER A FINANCIAL PACKAGE FOR YACYRETA. END COMMENT.
HIGGINS

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